Research Update

Taiwan Fire & Marine Insurance Co. Ltd. Ratings Affirmed At 'twAA'; Outlook Stable

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Overview

- TFMI's operating size is smaller but its operating performance is above average compared with similarly rated peers in the domestic property and casualty insurance market.
- We also view TFMI's capital and earnings to be very strong and we expect the insurer to maintain adequate investment management over the next one to two years.
- We are affirming our 'twAA' long-term insurer financial strength and issuer credit ratings on TFMI.
- The outlook is stable to reflect our projection that TFMI will maintain its satisfactory business position in the local market and better earnings resilience compared with that of local peers over the next one to two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term insurer financial strength and issuer credit ratings on Taiwan-domiciled **Taiwan Fire & Marine Insurance Co. Ltd.** (TFMI). The outlook is stable.

Outlook

The stable outlook reflects our view that TFMI's very strong capital and earnings will support the insurer to maintain its current credit profile over the coming two years. The outlook also reflects our expectation that the insurer will adopt a prudent business growth strategy and maintain its above-average underwriting performance over the same period, given its strategic focus on profitability.

Downward scenario

We may lower the ratings if the insurer's capital and earnings deteriorates from very strong to strong, mainly due to weakening capital according to our risk-based insurance capital model. Such weakening could result from unexpected financial market volatility with sizable losses on TFMI's investment portfolio, overly aggressive growth including large-scale mergers and acquisitions, or heightened risk exposure to market volatility. However, we view this outcome as unlikely in the next one to two years.

Upward scenario

We may raise the ratings if TFMI's competitive position improves to a strong level, which could result from material improvement in the insurer's domestic market share. At the same time, TFMI would have to maintain its above-average underwriting performance and a stable contribution of over 50% of total premiums from its own distribution channel. Nonetheless, we also view this scenario to be unlikely in the next one to two years.

Rationale

The ratings reflect TFMI's very strong capital and earnings relative to its risk profile as well as our expectation that the insurer will maintain its prudent business growth strategy with above-average underwriting performance. Counterbalancing these strengths are the insurer's small scale in the domestic market and less geographic business diversification compared with that of other regional peers.

Ratings Score Snapshot

Business Risk Profile	Satisfactory
Competitive position	Satisfactory
IICRA	Intermediate
Financial Risk Profile	Very Strong
Capital and earnings	Very Strong
Risk exposure	Moderate Low
Funding structure l	Neutral
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Financial Strength Rating	twAA

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

Ratings Affirmed

Taiwan Fire & Marine Insurance Co. Ltd.	
Issuer Credit Rating	twAA/Stable
Financial Strength Rating	twAA/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.